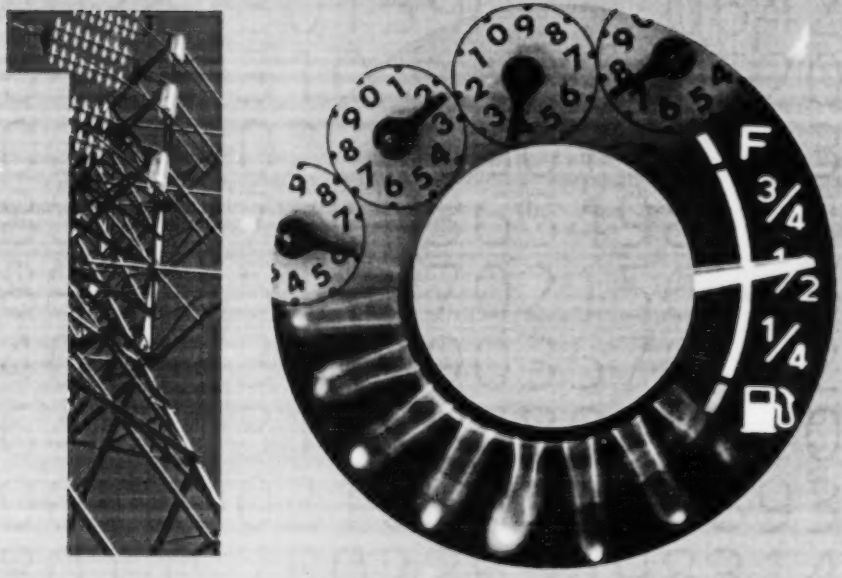
2006-2007 ANNUAL REPORT

Régie de l'énergie

10 years in the public interest



Québec

The Régie reconciles the public interest, consumer protection and fair treatment of the electric power carrier and of distributors. The Régie strives to ensure that energy needs are satisfied while promoting sustainable development as well as individual and collective equity.

Mission

The Régie's responsibilities include fixing conditions of service and rates for the transmission and distribution of electricity and the distribution of natural gas. It also monitors the operations of regulated companies to ensure that consumers are adequately supplied and are charged fair rates. It approves the companies' capital expenditures, supply plans and energy efficiency programs. It examines the electricity carrier's technical standards and may set operating standards for the electricity and natural gas distributors.

The Régie examines consumer complaints about decisions made by regulated companies concerning the application of the rates or conditions of service for electricity or natural gas. It monitors the prices of petroleum products and steam.

Message from the Chairman

Jean-Paul Théorêt

This year, as the Régie de l'énergie celebrates its 10th birthday, we look back to take the measure of the work we have done and take stock of what we have accomplished.

This is also a timely occasion to launch a series of initiatives designed to inform Quebecers of the importance of economic regulation and what the Régie does to promote the smooth operation of energy industries.

The Régie is a young organization that is proud of its accomplishments and determined to keep its competencies and expertise up to date. In the past few years, it has also acquired the maturity to perform its government-assigned responsibilities efficiently and effectively.

We have achieved this maturity by remaining true in all our actions to our fundamental values: competence, impartiality, integrity, respect, loyalty, transparency and collegiality. These values provide us with a steady compass in the fast-changing world of energy. Our maturity has also grown out of our efforts over the years to accomplish our core mission of protecting the public interest in our area of jurisdiction. We are not alone in embracing this goal, but the responsibility is ours and we take it very seriously.

The Régie was created in order to bring transparency and fairness to the energy industry, in both monopoly segments such as natural gas and electricity distribution, and certain

The Régie was created in June 1997 to bring transparency and fairness to the energy industry.

free-market segments such as petroleum products. It was therefore established as a decision-making agency which operates at arm's length from the government and allows for full public participation.

The Régie operates in a constantly changing landscape. The energy industry has long experienced strong turbulence and no analyst could have forecast developments in this field with confidence. For example, during the period since the creation of the Régie, all semblance of price stability and predictability in the oil and gas industry seems to have disappeared. Who could have foreseen in 1997 that the price of a barrel of oil would triple, or that it would fluctuate by 20% from one month to the next? Similarly, people would have scoffed had any analyst predicted that the commodity price of natural gas would soar from under $3 per gigajoule in January 2000 to over $8 in January 2001, or that it would fall by 40% between December 2005 and December 2006.

The Régie is committed to streamlining its regulatory practices while encouraging public participation.

An insert in this Annual Report provides an overview of developments in the energy sector, followed by a list of the cases the Régie dealt with during the last year.

However, the Régie's work is not confined to hearing cases. In its administrative operations, the Régie continued its efforts to enhance efficiency. The Régie is committed to streamlining its regulatory practices while encouraging public participation. To this end, it reviewed the Regulation respecting the procedure of the Régie de l'énergie. The new version of the Regulation, which was approved by the government in June 2006, reflects the Régie's current practices, including the use of alternative dispute resolution methods, such as conciliation in consumer complaints.

It also recognizes approaches based on discussion and dialogue, such as preparatory meetings and working sessions to help clarify procedural questions, the issues in dispute, and the hearing process.

The Régie produced a guide for the filing of rate applications by Hydro-Québec as a power carrier and updated the filing guide for Hydro-Québec as a distributor. As a result of these guides, the Régie expects to receive complete applications in the future, reducing the number of requests for information and shortening the decision-making time frame.

The Régie continued the practice of holding an annual one-day meeting with the participants in its procedures to discuss their concerns and find ways to improve its processes. This meeting was conducted in an atmosphere of trust and helped improve the Régie's understanding of its clients' expectations. The meeting also provided an opportunity for constructive dialogue with all parties and among the participants themselves, promoting discussion and mutual trust.

The Régie was assigned important new responsibilities under amendments to the Act respecting the Régie de l'énergie which came into force in December 2006. The changes related to energy efficiency, the financing of greenhouse gas reduction measures and climate change adjustment initiatives (the Green Fund), and electricity transmission system reliability. With respect to this last point, the Régie is working actively to develop a regulatory framework for Québec that is consistent with the new North American system of mandatory standards while maintaining the Régie's jurisdiction on Québec's territory.

The move towards modern, smart regulation promotes incentive regulation

The Régie's activities do not end there. During the coming year, the Régie will continue working to improve its regulatory practices by streamlining regulatory procedures, including those for electricity, wherever possible through preparatory meetings and working sessions. The move towards modern, smart regulation will include the introduction of incentive-based regulation designed to promote improved performa ice by the monopoly operators and the satisfaction of consumer needs.

In the same vein, the Régie will continue work on preparing filing guides for capital expenditures and supply plans. The guides will list all the information that should be provided at the beginning of the process.

In view of its new responsibilities under the Act respecting the Agence de l'efficacité énergétique with respect to the comprehensive energy efficiency and new technologies plan, the Régie will finalize the registry of fuel distributors and declared volumes. It will also adopt a regulation on the annual duty payable to the Agence by the energy distributors in question.

For the Green Fund, the Régie will need to set up a registry of the volumes declared by the natural gas distributors, persons or enterprises that bring fuel to Québec for the production of electric power, and fuel distributors. It will also have to introduce a regulation on the rate, calculation method and terms of payment of the annual duty payable to finance the Green Fund, as well as interest on outstanding amounts and penalties for nonpayment.

The Régie also intends to pursue its dialogue with stakeholders and the companies under its jurisdiction, in order to remain responsive to their needs and expectations.

The Régie will continue to be an active participant in meetings among provincial, federal and North American economic regulatory agencies. It seeks to benefit from the experience of other regulators in order to apply best practices and increase the effectiveness of its regulatory processes. The Régie will also continue taking part in the development of reliability standards for electric power transmission systems, in cooperation with its counterparts in other jurisdictions in North America.

As we look back at the past 10 years, we can take justifiable pride in what we have accomplished. This is also a time to look ahead and consider the Régie's future. I can tell you that we look ahead to the coming years with confidence. Québec's energy industries possess enviable resources and their future appears secure. The Régie and its staff will continue to support their development, to the benefit of Québec consumers and Québec society as a whole.

The Régie intends to pursue its dialogue with stakeholders and the companies under its jurisdiction in order to remain responsive to their needs and expectations.

Jean-Paul Théorêt
Chairman
June 2007

Role and powers

The Régie de l'énergie has authority to fix the rates and conditions for the transmission and distribution of electric power and the supply, transmission, delivery and storage of natural gas, after holding public hearings. The Régie's decisions cannot be appealed.

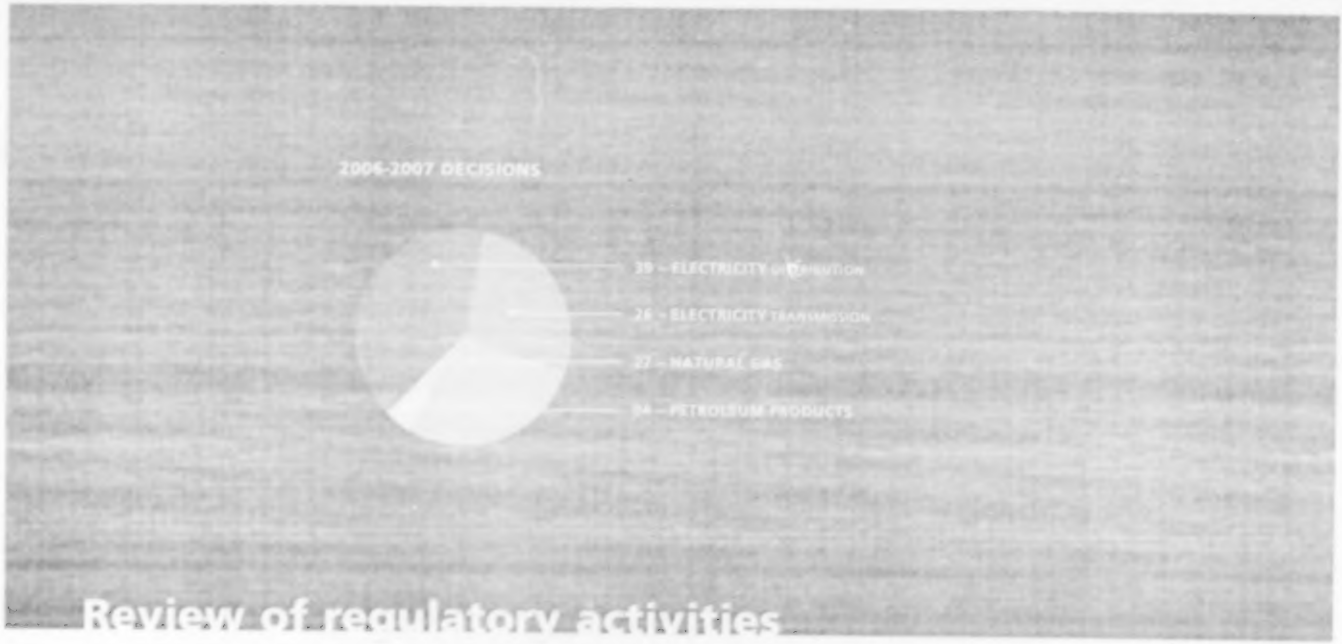
The Régie also monitors the operations of electricity and natural gas distributors to ensure that consumers are adequately supplied, and monitors the operations of the electricity carrier, the electricity distributors and the natural gas distributors to ensure that consumers are charged fair and reasonable rates. It approves the electricity and natural gas distributors' supply plans and business programs. It approves investments, construction projects and the acquisition of assets intended for the transmission or distribution of electric power or the distribution of natural gas. The Régie ascertains that Québec's electricity transmission systems meet its reliability standards: it determines whether the standards have been breached and if so imposes sanctions. The Régie also names Québec's reliability coordinator.

The Régie monitors application of the tender solicitation and contract awarding procedure and code of ethics for the electricity distributor's supply contracts. The resulting supply contracts are submitted to the Régie for approval.

The Régie has sole authority to examine consumer complaints about a decision rendered by the electricity carrier, an electricity distributor or a natural gas distributor concerning the application of the rates or conditions of service. The carrier and distributors are required to apply an internal complaint examination procedure approved by the Régie.

With respect to petroleum products, the Régie is tasked with monitoring prices and providing consumers with information. It also has authority to determine, every three years, an amount per litre representing the operating costs borne by retailers and to assess the expediency of including this amount in the costs of gasoline and diesel fuel retailers.

With respect to energy efficiency, the Régie de l'énergie is responsible for approving the three-year comprehensive energy efficiency and new technologies plan to be filed by the Agence de l'efficacité énergétique, and for approving the annual financing plan for programs and initiatives to be filed by the energy distributors and the Agence.



Review of regulatory activities

The Régie ensures that rates are fair and reasonable and assures the highest possible level of customer satisfaction.

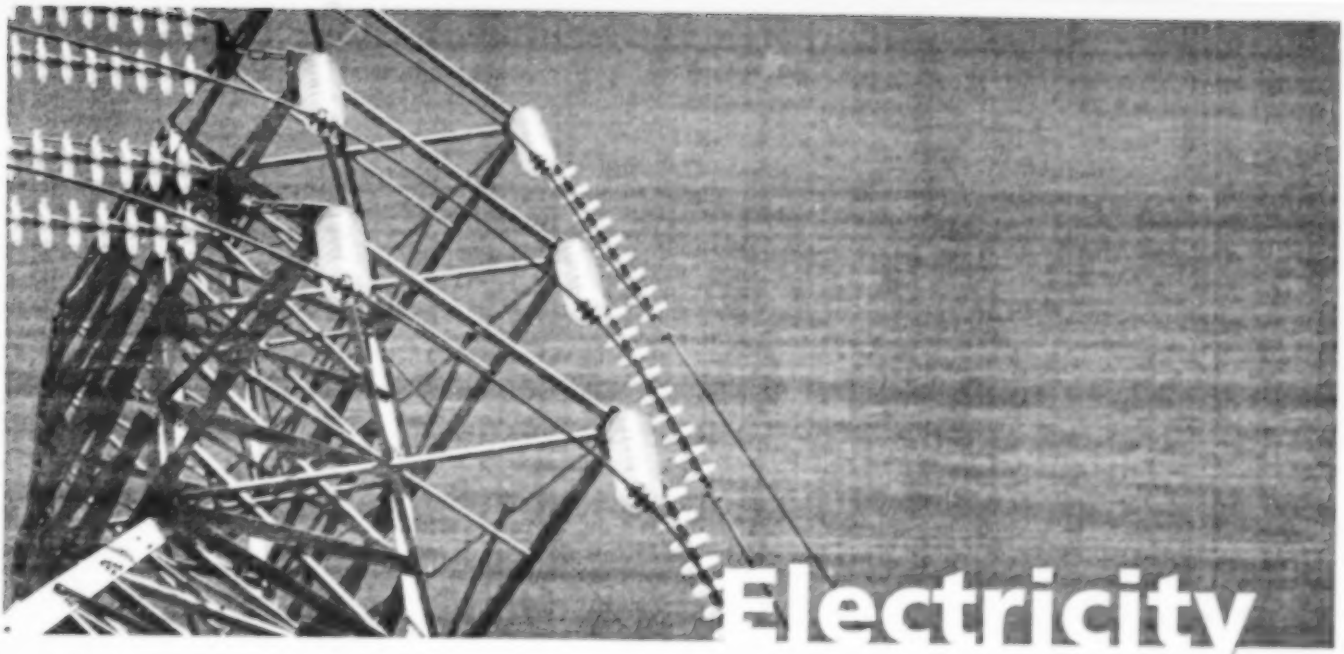
The Régie rendered 96 decisions on applications during the year, some of which had far-reaching implications for Québec as a whole. By means of its tariff decisions, authorization of capital expenditures, and monitoring of the operations of the companies under its jurisdiction, the Régie ensures that rates are fair and reasonable. It also assures the highest possible level of customer satisfaction and sees to it that the companies are managed effectively.

In 2006-2007, the Régie received 30 applications and 125 complaints. It held 59 days of hearings and 51 working sessions and preparatory meetings. As well, 61 conciliation sessions and 15 hearings were held to settle consumer complaint cases.

SUMMARY OF ACTIVITIES

30	**applications**
96	decisions on applications
59	days of hearings
40	working sessions
11	preparatory meetings

125	**complaints filed**
117	complaint cases settled
	49 out-of-court settlements
	39 settlements after conciliation
	15 decisions on the basis of the file
	14 decisions after oral hearing
61	conciliation sessions
15	hearings on complaints



Electricity

ELECTRICITY TRANSMISSION

With respect to electricity transmission, the Régie approved rates for the year 2007 and a revenue requirement of $2.674 billion. It also reviewed some articles of the transmission rates and conditions of service.

The Régie authorized the carrier to make capital expenditures totalling $1.1457 billion.

The Régie approved the carrier's application to spend $46 million to connect the village of Wemindji to the La Grande 1 generating station via a 120 kV transmission line. The Régie completed its examination of applications for capital projects with an individual cost of less than $25 million, which totalled $587.5 million for 2006 and $512.2 million for 2007.

ELECTRICITY DISTRIBUTION

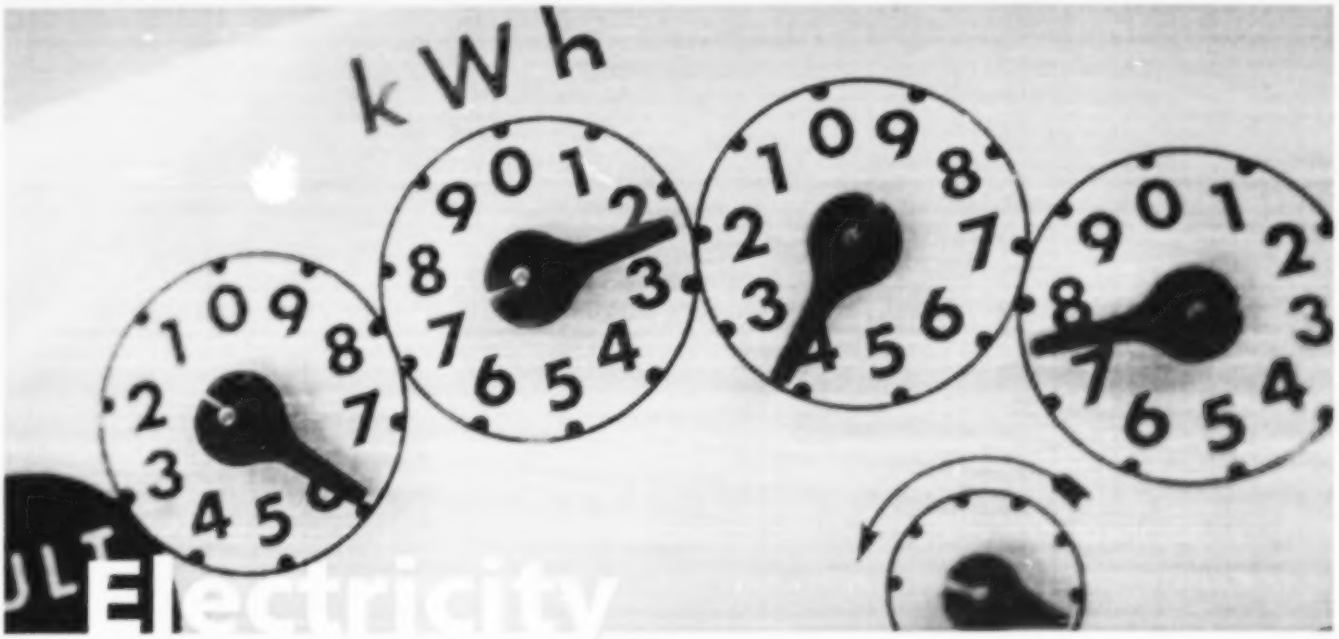
With respect to electricity distribution, the Régie fixed the rates for all Québec consumers as of April 1, 2007. The authorized revenue requirement for Hydro-Québec Distribution is $10.143 billion for the 2007 rate year, an $80 million increase which will result in an average 1.9% rate hike for consumers.

The Régie also rendered a decision on an application to amend some of the distributor's conditions of service for electricity supply and related expenses. Among other things, the decision stipulates conditions for network extensions. The case will continue in 2007-2008. The resulting rate changes, to take effect on April 1, 2008, are to be filed as part of Hydro-Québec Distribution's 2008 rate application.

The Régie approved Hydro-Québec Distribution's $245 million energy efficiency budget for 2007 and the distributor's updated comprehensive energy efficiency plan for 2005-2010, which calls for total spending of nearly $2 billion (of which $1.3 billion will be covered by the distributor) and is expected to yield energy savings of 4.7 TWh by 2010, a 0.6 TWh increase in comparison with the target approved in 2006.

Pursuant to its mandate to monitor tender solicitations and approve contracts awarded to meet electricity needs in excess of the heritage electricity pool of 165 TWh, the Régie approved the contracts submitted by the distributor.

Hydro Québec



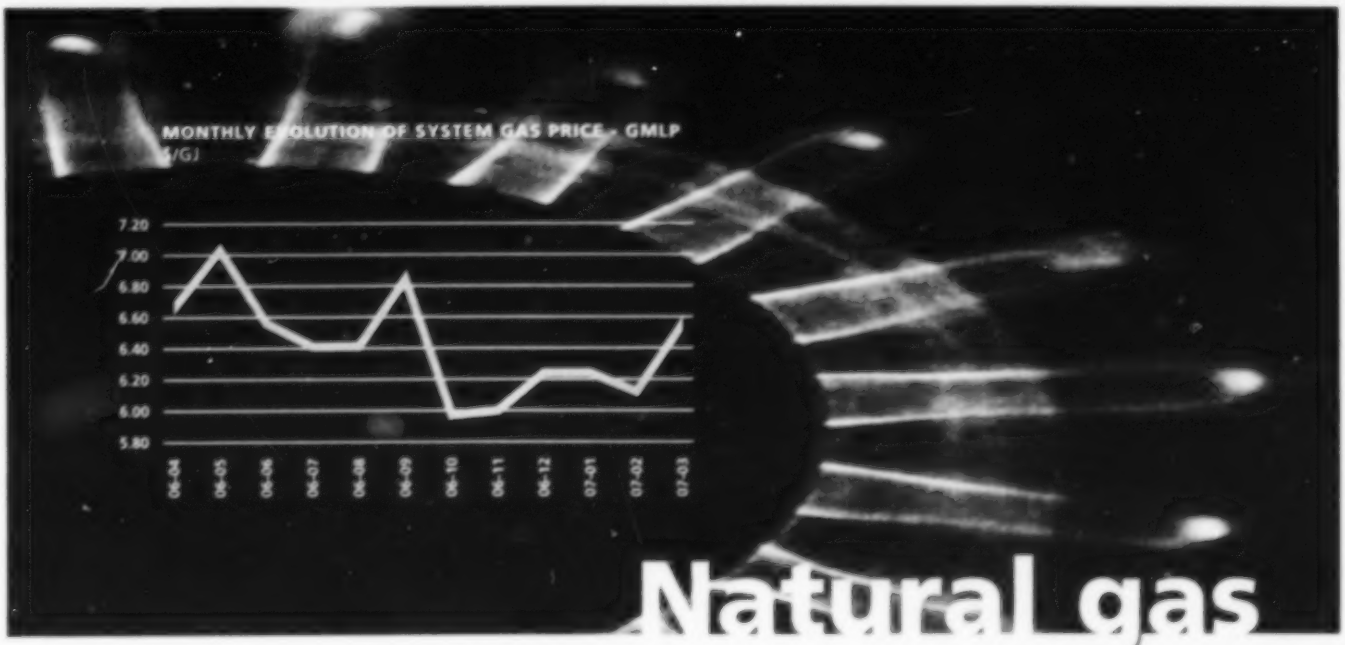
The Régie monitored application of the tender solicitation procedure for the purchase of energy and power on short-term markets. It also approved the evaluation grid for the second 2000 MW block of wind energy. The grid was revised after the issuance of Order-in-Council 96-2007 on February 8, 2007. This tender solicitation is currently being monitored.

The Régie rejected an application for approval of an agreement to suspend two baseload and dispatchable supply contracts between Hydro-Québec Distribution and Hydro-Québec Production.

With respect to capital expenditures, the Régie authorized projects with an individual cost of less than $10 million worth a total of $654.7 million for the construction and/or improvement of electricity distribution facilities. A $12.4 million expenditure was approved in connection with the takeover of electricity supply for Schefferville.

ADMINISTRATIVE FOLLOW-UP

- Annual reports from the electricity Carrier and Distributor
- Monitoring of tender solicitations
- Progress report on the Distributor's supply plan



Natural gas

NATURAL GAS

With respect to natural gas, the Régie continued work on setting the gas distributors' conditions of service. The conditions will clarify and harmonize relations between natural gas consumers and distributors.

The energy efficiency initiatives taken by the distributors and by GMLP's energy efficiency fund cost nearly $14 million and resulted in a reduction in consumption of more than 32 million cubic metres in 2006.

The Régie also authorized capital expenditures of $206.2 million by the natural gas distributors during the year.

GAZ MÉTRO, LIMITED PARTNERSHIP (GMLP)

In the Gaz Métro, Limited Partnership (GMLP) rate case, conducted for the purpose of setting rates as of October 1, 2006, the Régie determined the company's revenue requirement to be $745 million and approved its supply plan, energy efficiency plan, and the Energy Efficiency Fund annual action plan. GMLP's rates were increased by an average of 5.35% as of October 2006.

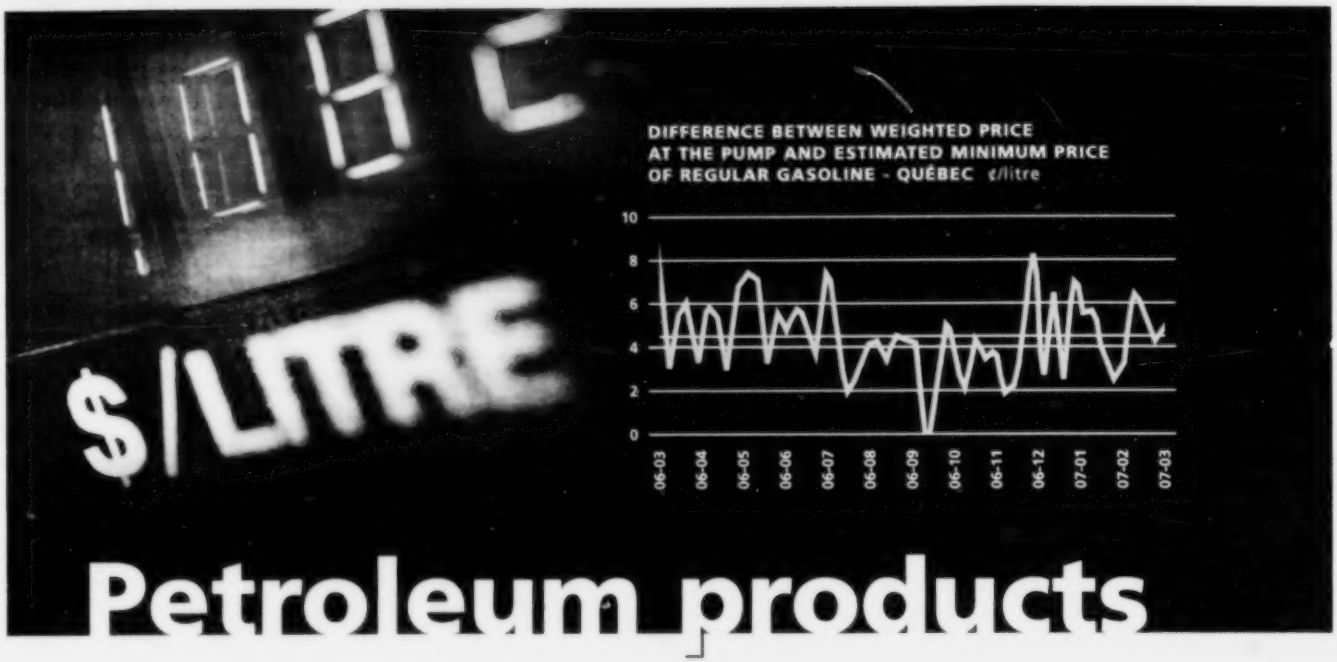
At the same time, the Régie established guidelines for the negotiated agreement process to be used by GMLP and intervenors for renewal of the distributor's performance incentive mechanism.

GAZIFÈRE INC.

The Régie approved a comprehensive incentive mechanism based on revenue caps for Gazifère for a five-year period, from January 1, 2006 to December 31, 2010. It also approved average rate increases of 6.8% as of January 1, 2006 and 1.3% as of January 1, 2007. To streamline the regulatory process, the Régie authorized Gazifère to file a single annual application for the closing of the books, approval of the supply plan and amendments to its rates.

ADMINISTRATIVE FOLLOW-UP

- Monthly validation of the price GMLP charges for gas supply service.
- Application for approval of mid-year rate adjustments for the distributors.



Petroleum products

PETROLEUM PRODUCTS

The Régie continued monitoring the retail prices of gasoline, diesel fuel and heating oil, and published the results every week in its *Bulletin d'information sur les prix des produits pétroliers au Québec*, which is available on the Régie's website. It also responded to daily enquiries about petroleum product prices from the public and the media. From March to October, 2006, it published a daily cost price indicator.

In June 2006, the Régie again determined the amount per litre representing the operating costs borne by a retailer of gasoline or diesel fuel to be 3¢ per litre in all of Québec, based on a hearing which began in February 2006. The amount has been set for three years.

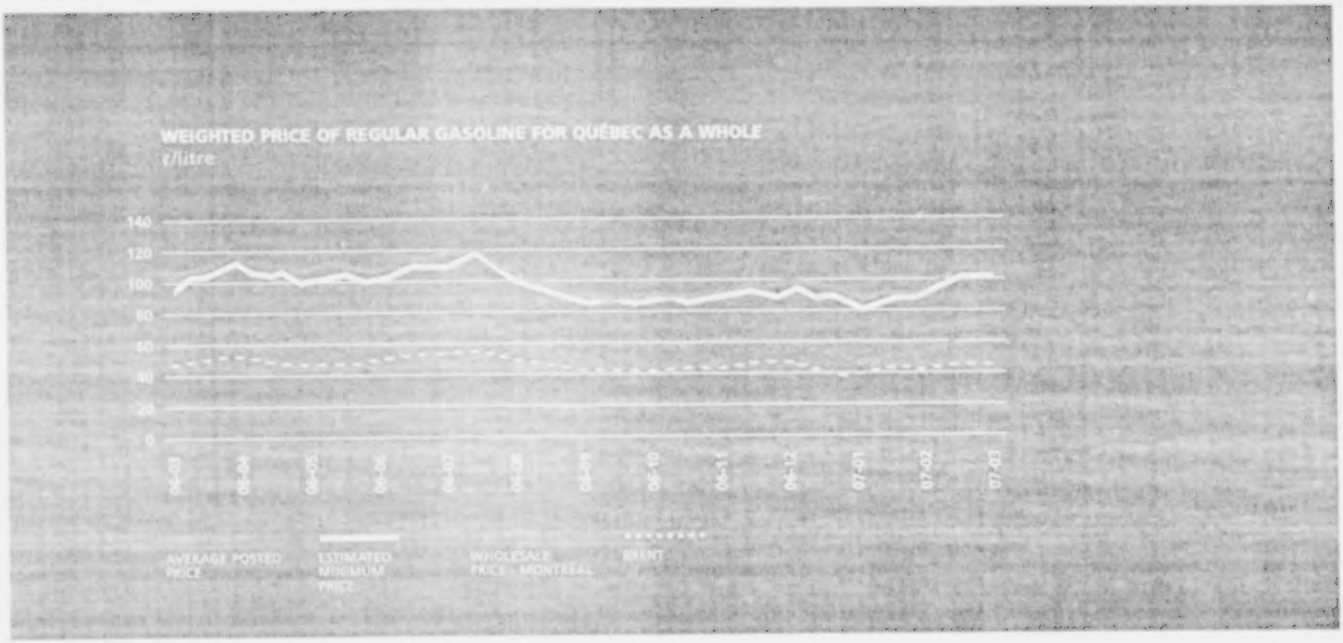
THE RÉGIE MONITORS PETROLEUM PRODUCT PRICES IN QUÉBEC'S 17 ADMINISTRATIVE REGIONS AND COMPILES AND PUBLISHES THE RESULTS

The international geopolitical situation and one-time events which impacted the production and refining of petroleum products had a significant effect on fuel prices. Prices for gasoline, diesel fuel and light fuel oil fluctuated widely in 2006-2007.

The Régie monitors petroleum product prices in Québec's 17 administrative regions, compiles the results, and makes them available to interested persons. It also calculates the estimated minimum price of gasoline and diesel fuel, based primarily on the minimum price at the loading ramp plus taxes and minimum transport costs.

The *Bulletin d'information sur les prix des produits pétroliers au Québec*, published weekly on the Régie's website, has made the site a basic source for information on petroleum products in Québec.

Petroleum product prices varied considerably during the year, as the peak prices and low prices listed on the following page illustrate.



REGULAR GASOLINE

From April 1, 2006 to March 31, 2007, the weighted average price of regular gasoline at the pump for Québec as a whole was 101.2¢/litre, compared with 99.5¢/litre during the same period of the previous year.

WEIGHTED AVERAGE RETAIL PRICE

- ▼ 86.5¢/litre during the week of October 2, 2006
- ▲ 119.8¢/litre during the week of August 7, 2006

During the same period, the average weekly minimum price at the loading ramp in Montréal moved in tandem with the price at New York.

MINIMUM PRICE AT THE LOADING RAMP

- ▼ 44.8¢/litre during the week of January 22, 2007
- ▲ 77.4¢/litre during the week of August 7, 2006

The price fluctuations at the loading ramp were reflected in the estimated minimum price, which is composed of the minimum price at the ramp, average minimum transport costs, and applicable taxes.

ESTIMATED MINIMUM PRICE

- ▼ 80.3¢/litre during the week of January 22, 2007
- ▲ 117.5¢/litre during the week of August 7, 2006

The average spread between the weighted retail price of regular gasoline, before taxes, and the estimated minimum price was 4.5¢/litre during the period of April 1, 2006 to March 31, 2007, compared with 5.2¢/litre during the same period of 2005-2006.

HEATING OIL

The weighted average price of light fuel oil in Québec as a whole was 68.3¢/litre, a 1.3¢/litre decrease from the previous year.

WEIGHTED AVERAGE RETAIL PRICE

- ▼ 62.1¢/litre during the weeks of October 9 and 30, 2006
- ▲ 74.7¢/litre during the week of April 24, 2006

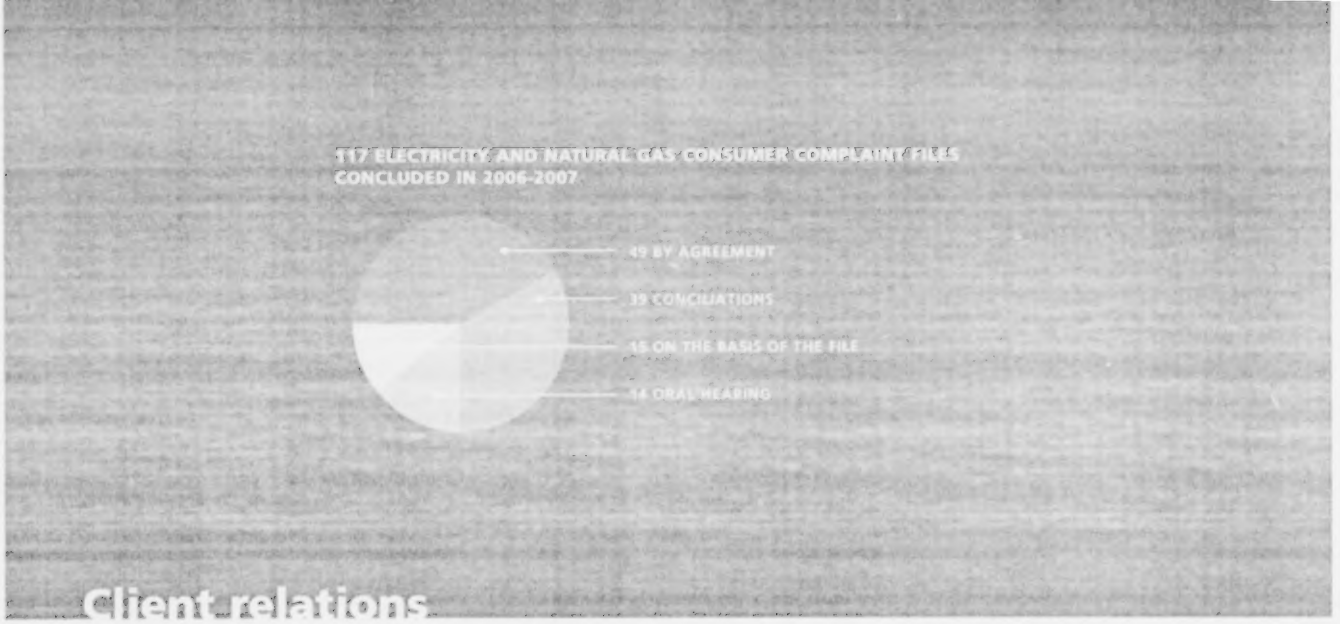
DIESEL FUEL

The weighted average price of diesel fuel was 104.0¢/litre in 2006-2007, an increase of 2.8¢/litre from the previous year.

WEIGHTED AVERAGE RETAIL PRICE

- ▼ 96.3¢/litre during the week of October 2, 2006
- ▲ 114.4¢/litre during the week of August 7, 2006

The average price of regular gasoline increased by 1.7% during fiscal 2006-2007 in comparison with 2005-2006.


117 ELECTRICITY AND NATURAL GAS CONSUMER COMPLAINT FILES CONCLUDED IN 2006-2007
49 BY AGREEMENT
39 CONCILIATIONS
15 ON THE BASIS OF THE FILE
14 ORAL HEARING

Client relations

The Régie continued its efforts to make conciliation the preferred method for handling consumer complaints.

TREATMENT OF COMPLAINTS FROM CONSUMERS OF ELECTRICITY AND NATURAL GAS

In connection with its authority to examine complaints from consumers of natural gas and electricity, the Régie received 125 complaints in 2006-2007, the majority of which were against Hydro-Québec as a distributor.

CONCILIATION, AN ALTERNATIVE DISPUTE SETTLEMENT METHOD

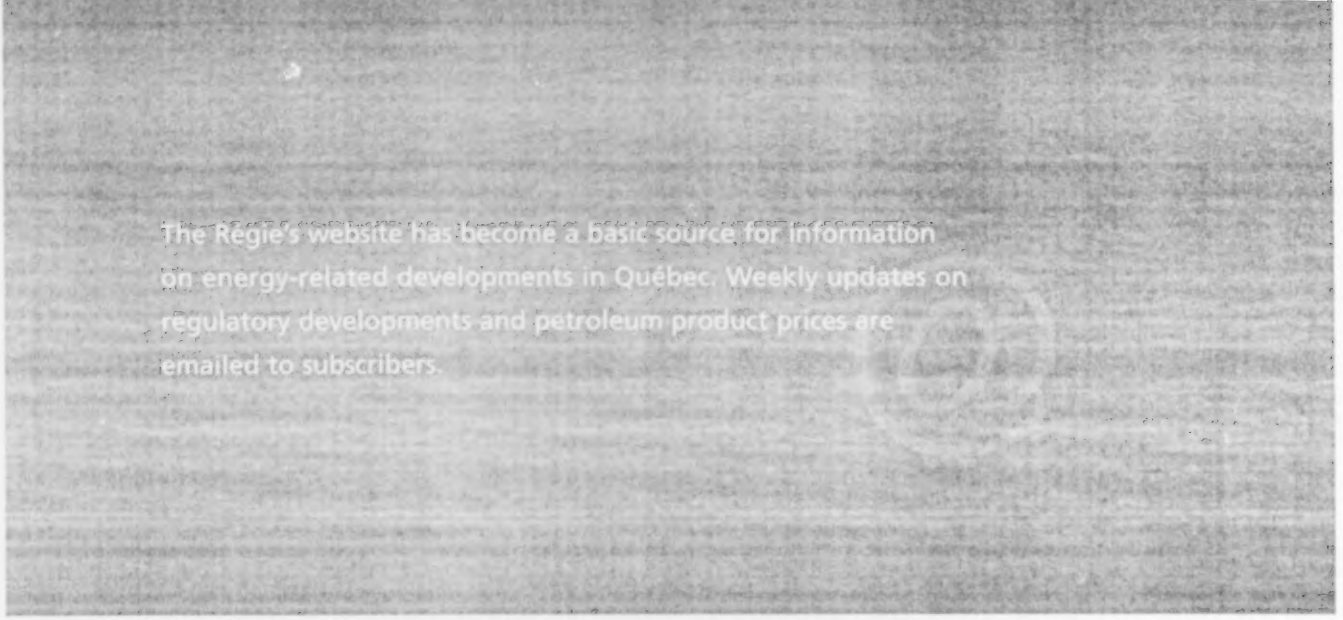
The Régie continued its efforts to make conciliation the preferred method for handling consumer complaints against the electric power carrier or a distributor. This free service, introduced in the fall of 2004 with the goal of finding win-win solutions to disputes between distributors and their customers, has proven successful. Conciliation is consistent with the objectives of efficiency and modernization enshrined in the Régie's strategic plan. It is fast and simple, reduces the direct costs associated with handling consumer complaints, improves communication between distributors and their customers, increases mutual understanding and resolves disputes to the satisfaction of all.

To encourage the use of conciliation to settle complaints, the Régie informs complainants of the service and offers to hold a conciliation session at their convenience within a 30-day limit. To accommodate the parties, the session may be held at the Régie's offices in Montréal or Québec City, or in another locality, as requested. The Régie's staff is always available to explain the conciliation process and answer questions. At the conciliation session, the parties are greeted by Régie staff and can obtain further clarification and reassurance about the process. A neutral and impartial conciliator with extensive experience then presides over the session. Her approach and comments are appreciated by all parties.

BUILDING ON POSITIVE RESULTS

The Régie was one of the first economic regulation tribunals to introduce a conciliation service to deal with complaints and is proud of the benefits that have been achieved for the regulated companies and their clients.

The proportion of complaints against Hydro-Québec that were referred to conciliation increased from 56% in 2004-2005 to 72% in 2006-2007. For the other distributors, 100% of complaints were referred to conciliation. In all, 52 cases went to conciliation during the year. In only 13 of these did conciliation fail; in 75%, an agreement was reached and the complaint was withdrawn.



The Régie's website has become a basic source for information on energy-related developments in Québec. Weekly updates on regulatory developments and petroleum product prices are emailed to subscribers.

While conciliation did fail to produce an agreement in some instances, the process has proved useful in helping the parties understand the applicable regulations and engage in dialogue, leading to satisfactory outcomes in many cases.

Conciliation helps the parties discover their real interests and motives, express their feelings, and clarify their differences. It makes it more likely that both sides will emerge from the process feeling satisfied and confident that they will be able to maintain more positive relations in the future.

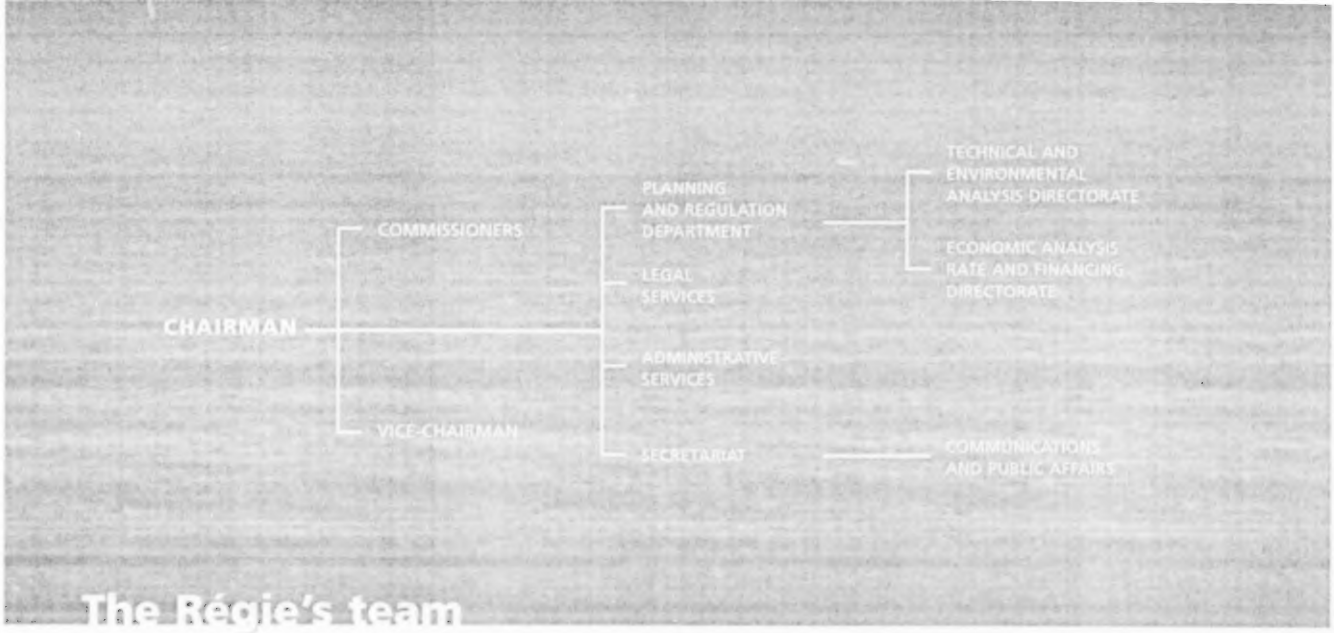
Conciliation serves two goals for the Régie: settling the dispute and initiating dialogue between the parties.

IN TOUCH WITH STAKEHOLDERS AND CONSUMERS

In the fall of 2006, the Régie met with representatives of consumer groups, environmental groups, the electric power carrier, and the distributors of electricity and natural gas to discuss the issues they and the Régie will be facing in the years ahead and receive suggestions for improving the handling of applications. In the course of the discussions held throughout the year at a variety of meetings, all parties demonstrated a commitment to dialogue.

The Régie's website provides access to all public documents pertaining to applications. The online clerk's office now contains more than 20,000 documents. Electronic communications have become the norm at the Régie, making it possible to update the site almost immediately. Live broadcast of hearings on the Internet makes the Régie's work more accessible to both participants and the general public.

Information about the Régie's roles, powers and procedures is available through various channels. Callers to the Régie's telephone info line can speak to an information agent and obtain details about the handling of complaints against the natural gas and electricity distributors or about petroleum product prices.



The Régie's team

The Régie's commissioners and staff are experts on energy and economic regulation.

A POOL OF EXPERTISE

The Régie de l'énergie is a specialized agency that needs advanced expertise and knowledge to properly assess the applications and evidence submitted to it.

Its commissioners and staff are experts on energy and economic regulation who have been selected and appointed on the basis of the quality and relevance of their experience and training.

The Régie is composed of 9 commissioners, including 2 supernumerary commissioners. A team of 69 managers, professionals and support staff provides the commissioners with analyses, legal opinions, follow-up on files and the logistical support required for the Régie's operations.

The Chairman of the Régie, who also sits as a commissioner, assigns and coordinates the work of the commissioners. He is responsible for the Régie's administration and directs its staff. He launches appropriate investigations and inspections under the Act respecting the Régie de l'énergie.

ADMINISTRATIVE STRUCTURE

The Régie has a streamlined structure composed of the Chairman's Office and four departments. The majority of the Régie's employees work at the head office in Montréal, where most activities and hearings take place. The Régie also has an office in Québec City to serve clients in the Québec City area and Eastern Québec.

INTERVENOR COSTS AWARDED BETWEEN APRIL 1, 2006 AND MARCH 31, 2007, BY FORM OF ENERGY

Electricity	$ 1,862,953
Natural gas	$ 807,334
Petroleum products	$ 5,157
Total	$ 2,675,444

Public participation

PAYMENT OF INTERVENORS' COSTS

The Régie may order the electricity carrier or any distributor of electricity or natural gas to pay, in whole or in part, expenses related to proceedings conducted under the Régie's authority. When the public interest warrants, the Régie may pay such costs for groups formed for the purpose of participating in its public hearings. The amount of the reimbursement is determined in accordance with the Act, the Rules of Procedure and the Intervenor Costs Payment Guide.

In 2006-2007, the Régie approved the payment of $2,675,444 in intervenor costs.

LIST OF INTERVENORS

Assemblée des premières nations du Québec et du Labrador
Association coopérative d'économie familiale de l'Outaouais
Association coopérative d'économie familiale de Québec
Association de l'industrie électrique du Québec
Association des consommateurs industriels de gaz
Association des redistributeurs d'électricité du Québec
Association des stations de ski du Québec
Association québécoise de lutte contre la pollution atmosphérique
Association québécoise des consommateurs industriels d'électricité
Association québécoise des indépendants du pétrole
Association québécoise de la production d'énergie renouvelable
M. Hugo Beaulieu
Brascan Énergie Marketing Inc.
Communauté historique du Domaine du Roy et de la Seigneurie de Mingan
Compagnie Pétrolière Impériale Ltée
Conseil de l'industrie forestière du Québec
Conseil québécois de la coopération et de la mutualité
Conseil de la première nation des Innus Essipit
Coalition canadienne de l'énergie géothermique
Corporation des entreprises en traitement de l'air et du froid
Corporation des propriétaires immobiliers du Québec
Corporation des Métis du Québec et de l'est du Canada
Corporation métisse du Domaine du Roy et de la Seigneurie de Mingan
Énergie Brookfield Marketing Inc.
Énergie La Lièvre S.E.C.
Fédération canadienne de l'entreprise indépendante
Fédération québécoise des municipalités locales et régionales
Gaz Métro
Gazifère Inc.
Grand Conseil des Cris/Administration régionale crie
Groupe de recherche appliquée en macroécologie
Hydro-Québec Distribution
Hydro-Québec TransÉnergie
Institut canadien des produits pétroliers
Intragaz
Les entrepôts Costco/Costco Wholesale Canada Ltd.
Mouvement Au Courant
Nation Naskapi de Kawawachikamach
Ontario Power Generation
Option Consommateurs
Pétro-Canada
Powerex Corp.
Regroupement des gestionnaires et copropriétaires du Québec
Regroupement des organismes environnementaux en énergie
Regroupement national des Conseils régionaux de l'environnement du Québec
Shell Canada Ltée
Société en commandite Intragaz
Société en commandite Maggie
Stratégies énergétiques
Tembec Inc.
Ultramar Ltée
Union des consommateurs
Union des municipalités du Québec
Union des producteurs agricoles
Ville de Saint-Jérôme
Ville de Shefferville

Financial summary

The Régie's estimated financial results for the fiscal year ended March 31, 2007 are as follows:

Opening accumulated surplus	$	653,498
Revenues	$	8,847,593
Expenses	$	8,789,725
Ending accumulated surplus	$	711,366

OTHER INFORMATION

Revenues for the fiscal year ended March 31, 2007 consisted primarily of the duties paid, in accordance with section 102 of the Act respecting the Régie de l'énergie, by the electric power carrier, the electric power distributors, including Hydro-Québec Distribution, the natural gas distributors and petroleum product distributors that exceed the volume stipulated by regulation. Pursuant to section 107 of the Act, any amount by which revenues exceed expenditures in a fiscal year is carried over to the subsequent annual budget, reducing the duties payable to the Régie during the following fiscal year.

In accordance with section 106 of the Act and the related Order-in-Council (832-2004), the Régie's budget forecasts for fiscal 2006-2007 were submitted to the Government on January 24, 2006 and approved by Order-in-Council (438-2006) on May 24, 2006.

COMMISSIONERS' CODE OF ETHICS

1. GENERAL PRINCIPLES Commissioners shall at all times conduct themselves with loyalty and dignity, demonstrate reserve, and abstain from any statement or action that is incompatible with their duties. In the performance of their mandate, commissioners shall promote the satisfaction of Québec's energy needs in accordance with the principles of sustainable development and with attention to economic, social and environmental concerns. They shall also reconcile the public interest, consumer protection and equitable treatment of distributors.

2. IMPARTIALITY Commissioners shall demonstrate impartiality at all times. They shall act and be seen to act objectively and without prejudice. They shall abstain from expressing in public any opinions that might cast doubt on their objectivity or impartiality, or that of the Régie.

3. INDEPENDANCE Commissioners shall at all times defend the independence of their office. They shall perform their duties free of all interference. They shall avoid placing themselves in a vulnerable position.

4. POLITICAL NEUTRALITY Commissioners shall set aside their personal political opinions so as to perform their duties with due objectivity. Commissioners shall exercise reserve in the public expression of their political opinions and shall not belong to any advocacy group that takes positions on energy-related matters.

5. CONFLICTS OF INTEREST Commissioners shall avoid placing themselves in a position of conflict of interest. They shall arrange their personal affairs so as not to interfere with the performance of their duties. They shall not use the power of their position to obtain or grant any benefit or favour. Commissioners shall have no interest, direct or indirect, in any company that produces, transports, distributes or supplies energy, or in any organization, association or undertaking an interest in which would create a conflict between their personal interests and the duties of their position.

6. DECLARATION OF INTERESTS Each Commissioner shall submit an annual written declaration to the Chairman of the Régie stating all the interests he or she possesses which he or she believes could create a conflict of interest.

7. RECUSAL Commissioners shall recuse themselves from any deliberations in which their ability to deal impartially with the application under consideration could be in doubt. A commissioner shall bring any situation which he or she deems to be problematic to the attention of the Chairman of the Régie.

8. CONFIDENTIALITY Commissioners shall swear an oath of confidentiality upon entering upon their duties. Commissioners shall abstain from making any comment or taking any public position on any file, whether or not they are personally responsible for that file, and shall express their points of view only through the decisions rendered by the Régie. Commissioners shall at all times respect the confidentiality of the documents and information to which they are made privy in the performance of their duties and may not use them for personal ends.

9. DUTY TO ACT WITH EQUITY At hearings and in examining applications, commissioners shall ensure that all participants have the opportunity to be heard and to make their arguments, insofar as those arguments are admissible and relevant. At hearings, commissioners shall maintain order, taking a firm but courteous attitude which fosters mutual respect among all present.

10. COLLEGIALITY Each commissioner shall provide his or her colleagues with appropriate support, while respecting the areas of competence of each. Commissioners shall strive to ensure that the decisions rendered by the Régie are consistent, so that all intervenors who appear before the Régie receive equitable treatment.

11. EXCELLENCE Commissioners shall keep their professional skills and knowledge current so as to maintain the quality of their work.

12. DILIGENCE Commissioners shall render written, reasoned decisions effectively and diligently, in plain language.

13. OATH Upon entering upon their duties, commissioners shall take the following oath: "I, ..., commissioner, do solemnly declare that I will exercise the powers and perform the duties of my position impartially and honestly to the best of my ability and knowledge."

Issues for 2007-2008

Electricity

TRANSMISSION

2008 transmission rate

Capital expenditures:

- Batch approval of projects under $25 million for 2008
- Connection of Eastmain 1A
- Connection of wind farms (990 MW)
- Chénier – Ontario reinforcement line
- Mont-Tremblant substation
- Saint-Lin substation
- Saint-Maxime substation
- Vaudreuil-Soulanges substation

Carrier's maximum contribution to switchyard costs

Approval of carrier's reliability standards

Appointment of Québec reliability coordinator

Approval of technical requirements for connection to transmission system

DISTRIBUTION

2008 distribution rates

2008 comprehensive energy efficiency plan

Review of conditions of service

Capital expenditures

- Batch approval of projects under $10 million for 2008
- Construction of generating station at Kuujuuaq

2008-2017 supply plan

Renewal of framework agreement between Hydro-Québec Production and Hydro-Québec Distribution

Application for approval of new evaluation and weighting scale for second tender solicitation for wind energy

Natural Gas

Fixing of conditions of service for natural gas (GMCLP and Gazifère)

GMCLP 2006 annual report

GMCLP rates as of October 1, 2007

Gazifère 2007 rate case

Gazifère 2008 rate case, closing of the books and supply plan

Intragaz storage rate

Capital expenditures

- Batch approval of projects under $1.5 million for GMCLP and under $450,000 for Gazifère
- GMCLP - Mont-Tremblant development project
- GMCLP - SAP, Phase II

Petroleum products

Application for inclusion of operating costs in calculation of estimated minimum price for St-Jérôme

Agence de l'efficacité énergétique

Examination of comprehensive energy efficiency and new technologies plan submitted by the Agence de l'efficacité énergétique (Québec's energy efficiency agency)

MONTRÉAL
HEAD OFFICE

RÉGIE DE L'ÉNERGIE
P.O. Box 001
Tour de la Bourse
800 Place Victoria
Suite 2.55
Montréal, Québec
H4Z 1A2
Telephone : (514) 873-2452
Fax : (514) 873-2070
Toll free : 1 888 873-2452

QUÉBEC CITY OFFICE

RÉGIE DE L'ÉNERGIE
1200 Route de l'Église
Suite 2.10
Québec, Québec
G1V 5A4
Telephone : (418) 646-0970
Fax (418) 646-1021
Toll free : 1 888 527-1443

For more information on the Régie, its people, its accomplishments and current cases, consult our Web site

www.regie-energie.qc.ca

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